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TOWN OF HARPSWELL, MAINE

Annual Financial Report

For the Year Ended December 31, 2014

TOWN OF HARPSWELL, MAINE
Annual Financial Report
For the Year Ended December 31, 2014

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Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Harpswell
Harpswell, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Harpswell, Maine, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Harpswell, Maine as of December 31, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 and budgetary comparison information on pages 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Harpswell, Maine's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RHR Smith & Company

Buxton, Maine
January 26, 2015

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis
December 31, 2014

As management of the Town of Harpswell, Maine, we present this narrative to provide you with an overview and analysis of our annual financial statements for the year ended December 31, 2014. This information, in conjunction with the notes to the financial statements, can be considered when reading the Town's financial statements.

Financial Highlights

- ❖ The total net position (total assets less liabilities) of the Town of Harpswell is \$13,492,198. Total assets include the costs, net of accumulated depreciation, of the Town's capital assets which totaled \$11,186,687 at December 31, 2014. Capital assets include the Town's infrastructure assets, (i.e., roads and dry hydrants), as well as Town-owned lands, buildings and equipment, including the former West Harpswell School, and an easement.
- ❖ The Statement of Activities shows a decrease in net position of \$128,953 for the fiscal year. Expenditures increased in relation to 2013, with significant increases in education expense and in capital road expenses due to the completion of multiple projects.
- ❖ During 2014, the Town repaid \$419,334 of principal on its long-term borrowings as scheduled and incurred interest of \$73,650 on its long and short-term borrowings.
- ❖ The ending fund balance for all governmental funds is \$5,164,417.
- ❖ The ending fund balance for the General Fund is \$3,985,069, a decrease of \$158,580 from the previous year. Of this balance, \$558,720 is assigned for specific purposes, \$15,838 is committed, and \$17,147 is nonspendable. This leaves an unassigned balance of \$3,393,364, which is sufficient for compliance with the Town's Fund Balance Policy. This Policy requires the Town to maintain a fund balance, exclusive of restricted amounts, of three times the average of the previous year's monthly General Fund expenditures.
- ❖ In addition to its General Fund, the Town has funds restricted for capital projects, which include an interest-bearing dedicated fund for emergency vehicle purchases (\$638,805) and a fund for road projects (\$493,933). The Town also has funds for its special revenue activities, which include recreation programs (\$44,090) and grants (\$2,520).

Overview of Financial Statements

The Town of Harpswell's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* provide a broad overview of the Town of Harpswell's finances, in a manner similar to private-sector business. Financial information is presented in two statements – *statement of net position* and *statement of activities*.

The *statement of net position* presents information about the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information about how the Town's net position has changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

Both of the government-wide financial statements distinguish functions of the Town of Harpswell that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Town of Harpswell include general government, public works (roads, solid waste disposal), protection and safety (law enforcement, fire protection, rescue services), health and welfare, culture and recreation, debt service and capital planning expenses.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Harpswell, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Town of Harpswell maintains five individual governmental funds. Information for the General Fund and the Road Project Fund are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in the report.

The Town of Harpswell adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-34 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual statements and schedules can be found on pages 37-47 of this report.

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

Statement of Net Position Information

The following information is a condensed version of the Statement of Net Position.

Net Position

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Assets:		
Current & other assets	\$ 5,529,656	5,907,986
Capital assets	11,186,687	10,908,997
Total Assets	<u>\$16,716,343</u>	<u>\$16,816,983</u>
Liabilities:		
Long-term debt outstanding	(3,091,668)	(2,911,002)
Other liabilities	(132,477)	(284,830)
Total Liabilities	<u>(3,224,145)</u>	<u>(3,195,832)</u>
Net Position:		
Net investment in capital assets	8,405,393	8,457,341
Restricted	1,135,258	1,187,017
Unrestricted	3,951,547	3,976,793
Total Net Position	<u>\$13,492,198</u>	<u>\$13,621,151</u>

The Town's Total Net Position decreased by \$128,953 during 2014.

Asset changes included a decrease in cash balances (\$397,491) as 2013 cash balances were high as a result of the borrowing of \$1,000,000 for capital road projects that were not completed until 2014.

Long-term debt obligations increased in 2014 by \$180,666 as a new \$600,000 borrowing for road projects was offset by scheduled principal repayments of \$419,334. Other liabilities decreased primarily because payments for services provided to the Town in 2014 were made prior to December 31, 2014.

62.3% of the Town's Net Position at December 31, 2014 is represented by its capital assets less any outstanding debt that was used to acquire those assets. Although the Town's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

\$1,135,258 of the 2014 Net Assets (8.4%) is restricted for capital projects and grants. This includes \$638,805 for the purchase of emergency services vehicles and \$493,933 for capital road projects.

Unrestricted Net Position includes amounts assigned or committed for expenditures of certain purposes in subsequent years.

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

Statement of Activities Information

The following information is a condensed version of the Statement of Activities.

		Governmental Activities	
		<u>2014</u>	<u>2013</u>
Revenues:			
Program Revenues			
Charges for services		\$213,441	\$ 214,458
Operating grants & contributions		51,622	94,190
General Revenues			
Property and excise taxes		11,978,995	11,322,917
Intergovernmental		126,613	155,386
Interest earned		6,670	5,361
Other		400,035	346,855
Total revenues		<u>\$12,777,376</u>	<u>\$12,139,167</u>
		Governmental Activities	
		<u>2014</u>	<u>2013</u>
Expenses:			
General government		\$1,337,181	1,344,318
Public works		1,020,460	970,835
Protection and safety		1,185,241	1,047,004
Health and welfare		25,409	31,386
Culture and recreation		345,396	321,335
Education		7,230,969	6,762,429
County taxes		1,183,087	1,128,378
Overlay/abatement		766	3,243
Interest on long-term debt		73,650	74,036
Capital and special projects		504,170	172,106
Total expenses		<u>\$12,906,329</u>	<u>\$11,855,070</u>
Increase/(decrease) in net position		<u>(\$128,953)</u>	<u>\$284,097</u>

Governmental Activities

Governmental activities decreased the Town's net position by \$128,953 as an 8.9% increase in expenses was only partially offset by a 5.3% increase in revenues. Total program revenues decreased by \$43,585 (14.1%) on a year to year basis, with most of the decrease occurring in operating grants and contributions (\$42,568). The significant decrease in grants was due primarily to a decrease of \$29,518 from the State's Local Road Assistance Program and a change in timing of payments. There continues to be fewer grant funding opportunities than in prior years and greater competition for the remaining grant programs. License, permit and other fees increased by \$47,452, primarily due to an increase in rates. The decline in sales of recyclable material resulting from a change to single-stream recycling was largely offset by an increase in disposal fee income.

Property and excise tax revenues increased from 2013 by \$621,992 and \$34,086, respectively. The mil rate increased from \$5.78 to \$6.10.

Education expense increased by \$468,540 (6.9%) and capital project expenditures increased by \$332,064 as the 2013 capital road project was completed in 2014 in addition to a new capital road project that was undertaken in 2014. The increase in protection and safety reflects an increase in paramedic coverage for nine months at a cost of \$115,920.

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

To aid in the understanding of the Statement of Activities, some additional explanation is provided. Please note that the format differs from that of the Statement of Revenues, Expenditures, and Changes in Fund Balances. Expenses for each activity are listed in the left-most column with revenues generated by that particular activity reported to the right. Subtracting one from the other results in a Net (Expense)/Revenue. This format provides information about the relative financial burden on the Town's taxpayers of each activity. It should be noted, however, that while these revenues may be generated by specific activities, the Town does not have dedicated revenue sources, except for recreation programs whose revenues, to the extent they exceed program costs, are retained for future programs. Accordingly, revenues from specific activities are deposited to the Town's General Fund, as are all tax payments received. From this fund, the Town makes all its expenditures.

Examples of activities which produce some level of revenue are:

<i>Public works</i>	Transfer Station fees and recycling revenues Local Road Assistance
<i>Health and welfare</i>	General Assistance state reimbursement
<i>Cultural and recreational</i>	Fees for recreation programs and bandstand donations
<i>Capital and special projects</i>	Grants for restricted projects

All other governmental revenues are reported as general revenues. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

Net Cost of Governmental Activities

The following information is a breakdown of each of the Town's major functional activities.

Net Cost of Governmental Activities

Function / Program	Total Cost of Services		Net Cost of Services	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General government	\$1,337,181	\$1,344,318	\$1,337,181	\$1,344,318
Public works	1,020,460	970,835	822,025	740,845
Protection and safety	1,185,241	1,047,004	1,185,241	1,047,004
Health and welfare	25,409	31,386	19,722	22,391
Culture and recreation	345,396	321,335	285,006	259,834
Education	7,230,969	6,762,429	7,230,969	6,762,429
County taxes	1,183,087	1,128,378	1,183,087	1,128,378
Overlay/abatements	766	3,243	766	3,243
Interest on long-term debt	73,650	74,036	73,650	74,036
Capital and special projects	504,170	172,106	503,619	163,944
Total governmental activities	\$12,906,329	\$11,855,070	\$12,641,266	\$11,546,422

Total Cost of Services and Net Cost of Services increased from 2013 to 2014 by 8.9% and 9.4%, respectively.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As of December 31, 2014, the Town's governmental fund balance totaled \$5,164,417.

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial performance of the Town as a whole is reflected in its governmental funds.

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

Governmental funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances available for spending. Governmental funds report the differences between their assets, liabilities and deferred inflows as fund balances. Nonspendable, committed, restricted and assigned amounts reflect that which is not available to be spent while unassigned amounts reflect amounts that are.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's General Fund balance decreased from \$4,143,649 in 2013 to \$3,985,069 in 2014. The decrease was attributable to (1) a significant increase in education expenses, (2) use of unassigned fund balance to reduce the tax commitment, and (3) use of unassigned fund balance for the purchase of a parcel abutting an existing Town land (\$72,500); to fund the extended paramedic coverage (\$34,800) from January – March; and for expenses relating to the monitoring of the Cedar Beach/Cedar Island easement (\$5,200).

Revenues: 2014 property tax revenue increased by \$617,992 relative to 2013. Total appropriations increased by \$655,795 with increases in the assessment by MSAD 75 of \$468,540 (6.9%), by Cumberland County of \$54,709 (4.8%), and in total municipal appropriations of \$196,198 (4.6%). Overlay decreased in 2014 by \$63,652. The use of fund balance to reduce the tax commitment remained the same as 2013 at \$392,000. A healthy tax collection rate has been experienced for several years and, accordingly, unavailable revenue – property taxes declined by \$20,000 (\$24,000 in 2013) increasing the General Fund balance by the same amount.

The 2014 mil rate increased to \$6.10 from \$5.78 and the property tax base expanded by approximately \$8.79 million (0.49%). Of the 2014 commitment, 96.73% was collected prior to year-end.

The Town experienced a small increase in non-property tax revenue sources in 2014, as increases in excise tax receipts (\$34,086), the Town's single largest source of non-property tax revenue, and in licenses, fees and permits (\$47,452), were offset by decreases in State payments. Substantial declines in State payments include revenue sharing (\$27,165) and road assistance (\$29,548).

Unexpended Appropriations. Notable unexpended appropriations lapsing to the General Fund in 2014 occurred in the areas of general administration (\$11,283), Town clerk's office (\$11,953), snow removal (\$10,740), and shellfish conservation contract (\$28,849). The capital reserve for voting machines (\$12,300) was not carried forward. With respect to general administration, budgeted contracted services were not incurred. The Town clerk's budget was not fully utilized as the anticipated number of elections did not occur. Purchases of sand in the winter maintenance budget were less than anticipated. The Town received an adjustment of a portion of the contract price with Cumberland County for marine patrol services reflecting an unplanned reduction in hours.

Overlay. Of the \$59,218 raised for overlay, \$766 was used for the purpose of providing abatements and the remaining \$58,452 lapsed to the General Fund balance.

Contingency. The use of contingency was limited to three instances in 2014 totaling \$3,384.

Harpswell maintains a healthy General Fund balance, which when supplemented with tax anticipation note financing is used to fund expenditures until such time as property tax revenue is collected.

The annual Town Meeting, which is held in March of each year, votes on the budget as recommended by the Selectmen.

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the Town's net investment in capital assets was \$11,126,688 and its outstanding debt \$3,091,668. All outstanding debt was incurred for capital purposes. \$3,061,668 of the outstanding debt primarily funded either road projects (\$2,485,000) or the emergency services vehicles account (\$560,000). During 2012, the Town entered into a capital lease to fund, in part, the purchase of certain media equipment of which \$30,000 was outstanding at the end of 2014. The principal payments (\$6,000) will be funded by annual grants to the Town by the holder of its cable franchise.

Net Investment in Capital Assets

	Capital Assets		Accumulated Depreciation		Net Investment in Capital Assets	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$2,276,111	\$2,203,611			\$2,276,111	2,203,611
Construction in progress	485,736	805,250			485,736	805,250
Other non-depreciable assets	281,900	335,900			281,900	335,900
Buildings and building improvements	4,203,212	3,993,312	(2,184,635)	(2,036,322)	2,018,577	1,956,990
Equipment, vehicles and furniture	2,147,197	2,147,197	(776,076)	(660,523)	1,371,121	1,486,674
Infrastructure	7,324,574	6,872,987	(2,571,332)	(2,752,415)	4,753,243	4,120,572
Total capital assets	\$16,718,730	\$16,358,257	\$(5,532,043)	\$(5,449,260)	\$11,186,687	\$10,908,997

Additions to land during 2014 included certain real property abutting an existing Town landing with a cost of \$72,500. Other non-depreciable assets were increased in 2014 to reflect the gift of an easement to the Town valued at \$175,000.

Additions to Buildings in 2014 reflected the completion of a building which houses the Town's dedicated paramedic and intercept vehicle. This building cost approximately \$150,000, a portion of which was included in construction in progress at the end of 2013.

Infrastructure assets increased by about \$450,000 in 2014 as a major road project and the replacement of a wide-span culvert, both of which were begun in 2013, were completed. Those two projects had a total cost over two years of just under \$1.1 million and replaced infrastructure with a historical cost of approximately \$650,000. Additionally in 2014, a second major road project was begun as Bayview, Abner Point and Steamboat Wharf roads were to be reconstructed, as well as Washington Avenue. Costs incurred in 2014 for this project which totaled approximately \$470,000 are included in construction in progress at the end of the year. Additionally, construction in progress includes engineering costs associated with a stabilization plan for the north end of Long Point Road and the initial payment for replacement of the Town office generator. The timing of the completion of the stabilization plan is uncertain, however, the road project and the generator installation will be concluded in 2015.

While all outstanding debt was incurred for the purchase of capital assets, \$310,374 is unexpended as of December 31, 2014, all of which relates to capital road projects. Approximately \$175,000 will be required to complete the road projects started in 2014. An estimated additional \$90,000 will be required to stabilize the erosion issue at the beginning of Long Point Road.

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

The Town's programs for road rehabilitation and for purchasing fire and rescue vehicles are ongoing and multi-year. The Town expects to use the emergency vehicles reserve for the purchase of an ambulance which is under contract for a price of approximately \$217,588. This ambulance will be leased to Harpswell Neck Fire & Rescue. Looking forward, the Town will continue to assess the needs to upgrade the infrastructure at Mitchell Field, a major asset with business development possibilities. During 2012, a portion of the pier structure at Mitchell Field collapsed, and it is believed that certain of the remaining supports have been eroded. No decision has been made as to whether the pier should be replaced, demolished or partially rehabilitated. The cost of some of these alternatives has been estimated by an independent consultant to be in the \$1.7 to \$2 million range.

The ultimate disposition of the former West Harpswell School property remains uncertain. Effective July 1, 2013, the Town entered into a one-year lease of this property with Harpswell Coastal Academy, Inc. During 2014, the lease was amended for an additional one-year period. It is anticipated that the property will be sold to the current tenant at the end of the lease extension. The final terms of the sale are uncertain, however, the building was revalued to reflect terms which the Town believes are likely. This revaluation resulted in a decrease of \$229,000 in other non-depreciable assets.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economic climate is improving in Maine albeit more slowly than in other parts of the country. A local indicator of the improving economic outlook is the amount of excise tax collected on motor vehicles. These collections have been trending upward over the last several years and seem to indicate that consumers are more willing to spend money on large ticket items as a result of their improved economic circumstances. While this is a good indicator of consumer confidence, not all households are experiencing such optimism. Recognizing that an improved economy is not being experienced equally by all taxpayers, the proposed appropriations for funding the 2015 municipal budget, exclusive of school and county obligations, are slated currently to increase by less than 2%.

The largest expenditure affecting the tax rate is the Town's contribution to MSAD # 75 which increased over \$465,000 from 2013 to 2014. The school budget process is just beginning and its impact on the Town's rate in 2015 remains unknown although Harpswell's share is expected to increase. The County tax rate is slated to increase 5.9% from \$1,183,087 to \$1,253,067.

Revenue sources will be watched closely in 2015 to see if actuals outperform estimates. While excise tax, the Town's largest source of non-property tax revenue, is trending upward and exceeding expectations, there is an uncertain future with regard to the continuation of the State's revenue sharing program. From 2013 to 2014, the amount of revenue sharing received by Harpswell decreased 30%. The Governor's recent budget proposes to eliminate the revenue sharing program in 2016. In an effort to mitigate the effect of eliminating revenue sharing, the Governor proposes that municipalities may expand the property tax base by allowing them to tax certain nonprofits and telecommunications property. The impacts of these possible changes on future tax rates have not been fully explored to date.

Revenues under the Town's control, such as fees for building and plumbing permits and disposal of construction debris, outperformed expectations in 2014 and are expected to continue to offset possible revenue reductions (not under Town control) going forward. As there is no borrowing proposed for 2015, there will be no new principal or interest payments added to the Town's debt obligations. The Town maintains a healthy unassigned fund balance of over \$3 million dollars which is available to keep the tax rate from increasing too significantly in any one year.

With regard to real estate, sales have been active and prices relatively consistent with assessed values. Taxable value in the Town increased by about \$9 million from 2013 to 2014 and the Town would expect, at a minimum, to pick up the same in 2015 as a result of both renovation and new construction projects.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designated to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact the Selectmen's Office at P. O. Box 39, 263 Mountain Road, Harpswell, Maine 04079-0039 or by phone at (207) 833-5771.

BASIC FINANCIAL STATEMENTS

TOWN OF HARPSWELL, MAINE
Statement of Net Position
December 31, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,028,136
Receivables:	
Taxes	356,543
Liens	68,326
Accounts	59,504
Prepaid items	17,147
Capital assets:	
Capital assets, not being depreciated	3,043,747
Other capital assets, net of accumulated depreciation	8,142,940
Total assets	<u>16,716,343</u>
LIABILITIES	
Accounts payable and other current liabilities	73,713
Unearned revenue	21,526
Accrued interest	14,008
Noncurrent liabilities:	
Due within one year	479,333
Due in more than one year	2,635,565
Total liabilities	<u>3,224,145</u>
NET POSITION	
Net investment in capital assets	8,405,393
Restricted for:	
Capital projects and grants	1,135,258
Unrestricted	3,951,547
Total net position	<u>\$ 13,492,198</u>

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Statement of Activities
For the year ended December 31, 2014

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position
		Charges for services	Operating grants and contributions	Capital grants and contributions	
					Governmental activities
Governmental activities:					
General government	\$ 1,337,181	-	-	-	(1,337,181)
Public works	1,020,460	163,631	34,804	-	(822,025)
Protection and safety	1,185,241	-	-	-	(1,185,241)
Health and welfare	25,409	-	5,687	-	(19,722)
Cultural and recreation	345,396	49,810	10,580	-	(285,006)
Education	7,230,969	-	-	-	(7,230,969)
County taxes	1,183,087	-	-	-	(1,183,087)
Overlay/abatements	766	-	-	-	(766)
Interest expense	73,650	-	-	-	(73,650)
Capital and special projects	504,170	-	551	-	(503,619)
Total governmental activities	12,906,329	213,441	51,622	-	(12,641,266)

General revenues:

Property taxes, levied for general purposes	10,903,298
Excise taxes	1,075,697
Interest and fees on property taxes	20,502
intergovernmental	126,613
Interest earned	6,670
Miscellaneous	379,533
Total general revenues	12,512,313

Change in net position (128,953)

Net position - beginning 13,621,151

Net position - ending \$ 13,492,198

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Balance Sheet
Governmental Funds
December 31, 2014

	General	Road Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,028,136	-	-	5,028,136
Receivables:				
Taxes	356,543	-	-	356,543
Liens	68,326	-	-	68,326
Other	59,504	-	-	59,504
Interfund receivables	-	493,933	685,415	1,179,348
Prepaid items	17,147	-	-	17,147
Total assets	\$ 5,529,656	493,933	685,415	6,709,004
LIABILITIES				
Accounts payable and other liabilities	73,713	-	-	73,713
Unearned revenue - taxes paid in advance	5,061	-	-	5,061
Unearned revenue - other	16,465	-	-	16,465
Interfund payables	1,179,348	-	-	1,179,348
Total liabilities	1,274,587	-	-	1,274,587
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	270,000	-	-	270,000
Total deferred inflows of resources	270,000	-	-	270,000
FUND BALANCES				
Nonspendable:				
Prepaid insurance	17,147	-	-	17,147
Restricted:				
Capital projects and grants	-	493,933	641,325	1,135,258
Committed:				
Land acquisition and easement monitoring	15,838	-	-	15,838
Assigned:				
General fund	558,720	-	-	558,720
Recreation	-	-	44,090	44,090
Unassigned	3,393,364	-	-	3,393,364
Total fund balances	3,985,069	493,933	685,415	5,164,417
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,529,656	493,933	685,415	

Amounts reported for governmental activities in the Statement of Net Position (Statement 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,186,687
Unavailable revenue - property taxes is not available to pay for current period expenditures and, therefore, are unavailable in the funds.	270,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	
Bonds payable and capital lease obligation	(3,091,668)
Compensated absences payable	(23,230)
Accrued interest	(14,008)

Net position of governmental activities **\$ 13,492,198**

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2014

	General	Road Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 12,019,497	-	-	12,019,497
Intergovernmental	167,104	-	551	167,655
Miscellaneous	549,051	-	61,173	610,224
Total revenues	12,735,652	-	61,724	12,797,376
Expenditures:				
Current:				
General government	1,254,928	-	-	1,254,928
Public works	795,393	-	-	795,393
Protection and safety	1,097,257	-	-	1,097,257
Health and welfare	25,409	-	-	25,409
Cultural and recreation	256,931	-	68,389	325,320
Education	7,230,969	-	-	7,230,969
County taxes	1,183,087	-	-	1,183,087
Overlay/abatements	766	-	-	766
Debt service	490,257	-	-	490,257
Capital and special projects	394,385	802,542	551	1,197,478
Total expenditures	12,729,382	802,542	68,940	13,600,864
Excess (deficiency) of revenues over (under) expenditures	6,270	(802,542)	(7,216)	(803,488)
Other financing sources (uses):				
Proceeds from long-term debt	600,000	-	-	600,000
Transfers (to) from other funds	(764,850)	600,000	164,850	-
Total other financing sources (uses)	(164,850)	600,000	164,850	600,000
Net change in fund balances	(158,580)	(202,542)	157,634	(203,488)
Fund balances, beginning of year	4,143,649	696,475	527,781	5,367,905
Fund balances, end of year	\$ 3,985,069	493,933	685,415	5,164,417

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended December 31, 2014

Net change in fund balances - total governmental funds (from Statement 4) \$ (203,488)

Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital outlays	1,006,273
Receipt of donated capital assets	235,000
Disposals of capital assets, net	(547,965)
Depreciation expense	(415,618)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the decrease in unavailable revenue - property taxes in the funds. (20,000)

Proceeds from long-term borrowing or capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This represents the proceeds (\$600,000) net of the repayments (\$419,334). (180,666)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the change in accrued compensated absences. 238

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the fund financial statements since future repayment does not require the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (2,727)

Change in net position of governmental activities (see Statement 2) \$ (128,953)

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the year ended December 31, 2014

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 11,937,298	11,937,298	12,019,497	82,199
Intergovernmental	197,358	197,358	167,104	(30,254)
Miscellaneous	416,400	416,400	549,051	132,651
Total revenues	12,551,056	12,551,056	12,735,652	184,596
Expenditures:				
Current:				
General government	1,323,885	1,326,885	1,254,928	71,957
Public works	800,334	800,334	795,393	4,941
Protection and safety	1,161,532	1,161,532	1,097,257	64,275
Health and welfare	34,880	35,180	25,409	9,771
Cultural and recreation	260,401	260,401	256,931	3,470
Education	7,230,969	7,230,969	7,230,969	-
County taxes	1,183,087	1,183,087	1,183,087	-
Overlay/abatements	59,218	59,218	766	58,452
Debt service	505,000	505,000	490,257	14,743
Capital and special projects	343,900	898,111	394,385	503,726
Total expenditures	12,903,206	13,460,717	12,729,382	731,335
Excess (deficiency) of revenues over (under) expenditures	(352,150)	(909,661)	6,270	915,931
Other financing sources (uses):				
Proceeds from long-term debt	600,000	600,000	600,000	-
Transfer to / from other funds	(764,850)	(764,850)	(764,850)	-
Budgeted use of unassigned fund balance	517,000	517,000	-	(517,000)
Budgeted use of carryforward balances	-	594,213	-	(594,213)
Budgeted use of contingency	-	(36,702)	-	36,702
Total other financing sources (uses)	352,150	909,661	(164,850)	(1,074,511)
Net change in fund balance	-	-	(158,580)	(158,580)
Fund balance, beginning of year			4,143,649	
Fund balance, end of year			\$ 3,985,069	

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

THE REPORTING ENTITY

The Town of Harpswell, Maine, incorporated on January 25, 1758, currently operates under a Town Meeting-Selectmen form of government with a Town Administrator as the chief administrator of the Town. The Board consists of three members elected by the registered voters for three year terms.

In evaluating the Town as a reporting entity, management has addressed all potential component units for which the Town may or may not be financially accountable and, as such, be includable within the Town's basic financial statements. The Town (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete. Based on the application of these criteria, there are no other entities within the Town that should be included as part of these basic financial statements.

The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds (if any) are reported as separate columns in the fund financial statements.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, however, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, franchise fee, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The road projects fund accounts for financial resources used in major road rehabilitation projects.

Additionally, the Town reports several nonmajor funds in the following fund categories:

Special revenue funds account for the proceeds of specific sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary or trust funds).

C. Budgetary Accounting

Each year a budget is adopted for the General Fund only, and is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The level of control (level at which expenditures may not exceed budget) is the Town meeting warrant article level.

The Town Meeting adopts the annual budget in March of that budget year and, accordingly, the previous year's Town Meeting authorizes the Board of Selectmen to spend 25% of the previous year's budget in the first three months of the current year.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Generally, all unexpended budgetary accounts lapse at the close of the fiscal year. However, portions of the General Fund fund equity can be assigned for future periods by the Selectmen. A comparison of budget to actual is presented in the financial statements on Statement 6. The difference between original budget and final budget amounts represent approved carryovers from prior years or appropriations from fund balance.

D. Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Town policy is that deposits can only be made in financial institutions insured by the F.D.I.C. or collateralized by the depository institution in the Town's name. The Town invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid and attain a reasonable market rate of return, while remaining within the guidelines approved by the Board of Selectmen.

E. Inventories of Supplies

Inventories of supplies are considered to be expenditures at the time of purchase rather than when consumed, and are not included in the general fund balance sheet.

F. Short-term Interfund Receivables/Payables

During the course of normal operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "interfund receivables or payables" on the balance sheet.

During the course of normal operations, the Town has transactions between funds including expenditures and transfers of resources to provide resources, construct assets and service debt. These transactions, if any, are reported as transfers.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Straight-line depreciation is used based on the following estimated useful lives:

Buildings and building improvements	25 to 50 years
Infrastructure	20 to 50 years
Equipment, vehicles and furniture	5 to 30 years

Capital assets, not being depreciated, includes land, construction in progress, easements and certain assets associated with the former West Harpswell School property, which are not being depreciated as they are not exhaustible assets. During 2014, the West Harpswell School land and building were written down to the value expected to be received upon sale.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

H. Deferred Outflows/Inflows of Resources

In addition to assets, the governmental funds balance sheet sometimes reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

I. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. The face amount of debt is reported as other financing sources.

J. Fund Equity

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.

Assigned – resources that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

Committed fund balance amounts are determined by the legislative body which also would be required to modify or rescind those commitments. For assigned fund balance, management determines amounts to be carried forward for uncompleted projects previously authorized by the legislative body for specific purposes in the General Fund at year end. The select board votes to authorize assigned amounts.

Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the Town's intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the Town's intent to use committed or assigned resources first, and then unassigned resources as they are needed.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

K. Fund Balance Policy

It is the Town's policy that its year end general fund balance equal three times the average of the previous year's monthly General Fund expenditures, exclusive of restricted amounts. Any amount in excess of this fund balance may be used to reduce the following year's tax commitment. Further, any restricted fund balance shall not be expended for other than the stated restricted purpose.

L. Comparative Data / Restatements

Comparative total data for the prior period have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

M. Compensated Absences

Under terms of personnel policies of the Town, vacation leave is granted in varying amounts according to length of service. No sick leave is granted at the time of employee termination. Unused vacation leave is reported in the government-wide financial statements. No expenditure is reported for this amount on the fund financial statements unless due and payable.

N. Use of Estimates

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal policy with respect to custodial credit risk. As of December 31, 2014, the Town reported deposits of \$5,028,136 with a bank balance of \$5,139,836. All of the Town's bank balances were collateralized by FDIC insurance and therefore, none were exposed to custodial credit risk.

PROPERTY TAX

The Town's property taxes for the current year were committed on August 5, 2014, on the assessed value listed as of April 1, 2014 for all real and personal property located in the Town. Taxes were due on September 15, 2014 and December 15, 2014; interest was charged at 6% on all unpaid taxes after those dates. Assessed values are periodically established by the Assessor at 100% of assumed market value. The Town has a certified ratio of 100%.

The following summarizes the 2014 and 2013 levy:

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

PROPERTY TAX, CONTINUED

	<u>2014</u>	<u>2013</u>
Assessed value:		
Real property	\$1,782,194,600	1,772,676,900
Personal property	5,231,300	5,959,100
Total valuation	1,787,425,900	1,778,636,000
 Tax rate (per \$1,000)	 6.10	 5.78
Tax commitment	10,903,298	10,280,516
Less: collections and abatements (net of supplements)	(10,546,755)	(9,934,885)
 Taxes receivable at December 31	 \$ 356,543	 345,631
 Due dates	 ½ September 15, 2014 ½ December 15, 2014	 ½ September 16, 2013 ½ December 16, 2013
Interest rate on delinquent taxes	6.00%	6.00%
Collection rate	96.73%	96.64%

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$59,218 for the year ended December 31, 2014. Property taxes levied during the year are recorded as receivables at the time the levy is made. The receivables collected during the year and in the first sixty days following the end of the fiscal year are recorded as revenues. The remaining receivables are recorded as unavailable revenues. Tax payments received in advance of a levy are reported as unearned revenue.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Property acquired by foreclosure for nonpayment of taxes is recorded at the amount of expired tax liens plus the costs involved in foreclosure. Liens and any current taxes on the same period are not included as part of the tax acquired property account until expiration of statutory time limits or time limit extensions granted by the Town's Board of Selectmen.

INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivables and payables balances at December 31, 2014 were as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	1,179,348
Special Revenue Funds:		
Restricted grants	2,520	-
Recreation	44,090	-
Capital Projects Fund:		
Emergency vehicles	638,805	-
Road projects	493,933	-
 Totals	 \$1,179,348	 1,179,348

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	December 31, <u>2013</u>	<u>Increase</u>	<u>Decrease</u>	December 31, <u>2014</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,203,611	72,500	-	2,276,111
Construction in progress	805,250	941,083	1,260,597	485,736
Other non-depreciable assets	335,900	175,000	229,000	281,900
Total capital assets not being depreciated	3,344,761	1,188,583	1,489,597	3,043,747
Capital assets, being depreciated:				
Buildings and improvements	3,993,312	209,900	-	4,203,212
Equipment, vehicles and furniture	2,147,197	5,500	5,500	2,147,197
Infrastructure	6,872,987	1,097,887	646,300	7,324,574
Total capital assets being depreciated	13,013,496	1,313,287	651,800	13,674,983
Less accumulated depreciation for:				
Buildings and improvements	2,036,322	148,313	-	2,184,635
Equipment, vehicles and furniture	660,523	121,053	5,500	776,076
Infrastructure	2,752,415	146,252	327,335	2,571,332
Total accumulated depreciation	5,449,260	415,618	332,835	5,532,043
Total capital assets being depreciated, net	7,564,236	897,669	318,965	8,155,750
Governmental activities capital assets, net	\$10,908,997	2,086,252	1,808,562	11,186,687

In August 2011, the Town voted to accept the West Harpswell School property from M.S.A.D. 75. The property, which consists of land, buildings and certain other assets, primarily artwork, was recorded in the Statement of Net Position at the estimated fair market values of those assets at the time of the acceptance; \$150,000, \$229,000 and \$106,900, respectively. The land and other assets are not being depreciated as they are not exhaustible assets. During 2014, the building was revalued to reflect the purchase price expected from the proposed sale.

During 2014, the Town accepted an easement on certain land to be used for recreational purposes and valued such easement at its estimated fair market value.

Fire and rescue vehicles with a cost of \$1,386,416 and accumulated depreciation of \$338,232 has been leased under 10 or 20 year agreements to one of the three independent fire and rescue departments serving the Town. The cost of insuring and maintaining the vehicles is borne by the departments.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 82,491
Public works	225,067
Protection and safety	87,984
Cultural and recreation	20,076
Total depreciation expense – governmental activities	\$ 415,618

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SHORT-TERM DEBT

Tax Anticipation Note

Under the authority of Title 30-A, Section 5771 of the Maine Revised Statutes, as amended, a resolution was adopted by the Board of Selectmen at their May 1, 2014 meeting authorizing the Treasurer to borrow up to \$2,800,000 to be due on or before December 31, 2014. On May 15, 2014 the \$2,800,000 was drawn. The outstanding principal and interest was paid before December 31, 2014. The total interest paid on this note was \$8,826. Since there is no beginning or ending balance at December 31, 2013 and 2014, it has not been included in the debt note which follows.

LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2014, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Bonds payable	\$ 2,875,002	600,000	413,334	3,061,668	473,333
Capital lease obligation	36,000	-	6,000	30,000	6,000
Compensated absences payable	23,468	42,118	42,356	23,230	-
Governmental activity					
<u>long-term liabilities</u>	<u>\$ 2,934,470</u>	<u>642,118</u>	<u>461,690</u>	<u>3,114,898</u>	<u>479,333</u>

Bonds Payable

Bonds payable at December 31, 2014 are comprised of the following:

	<u>Issue date</u>	<u>Maturity date</u>	<u>Amount issued</u>	<u>Interest rate</u>	<u>Balance December 31, 2014</u>
Governmental activities:					
2004 Capital Roads, Old Town					
Meetinghouse restoration:	10/28/04	11/01/16	700,000	1.00-9.00%	116,668
2008 Emergency vehicles	10/30/08	11/01/18	500,000	2.075-5.575%	200,000
2009 Ash Point road rehab	05/28/09	11/01/19	650,000	2.08-5.58%	325,000
2010 Emergency vehicles	10/28/10	11/01/20	600,000	2.00-5.50%	360,000
2011 Capital road project	05/26/11	11/01/21	800,000	2.12-5.62%	560,000
2013 Capital road project	05/23/13	11/01/23	1,000,000	.60-2.38%	900,000
2014 Capital road project	8/20/14	8/20/24	600,000	2.30%	600,000
<u>Total bonds payable</u>					<u>\$ 3,061,668</u>

During 2013, the Town entered into a capital lease to fund, in part, the purchase of certain media equipment. As of December 31, 2014, the balance of \$30,000 represents the principal obligation under the capital lease and will be repaid in five equal installments of \$6,000. Interest accrues at a rate per annum of 3.02% and is payable annually. The principal payments will be funded by annual grants to the Town by the holder of its cable franchise.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

LONG-TERM LIABILITIES, CONTINUED

The annual requirements to amortize outstanding debt, including capital lease obligations, as of December 31, 2014 are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$473,334	67,852	541,186
2016	473,334	56,450	529,784
2017	415,000	46,939	461,939
2018	415,000	38,814	453,814
2019	365,000	28,104	393,104
2020 - 2024	920,000	49,480	969,480
Total	\$3,061,668	287,639	3,349,307

All governmental activities long-term debt requirements are paid by the general fund.

Debt authorized but unissued – The Town is authorized to borrow up to \$50,000 for failed septic system remediation. Additionally, the previously authorized \$220,000 borrowing for the acquisition of a public access easement to a beach on Bailey Island expired December 31, 2014.

STATUTORY DEBT LIMIT

The laws of the State of Maine limit types of municipal borrowing to specific percentages of the State valuation of the municipality. At December 31, 2014, the Town was in compliance with these restrictions.

OVERLAPPING DEBT

The Town's proportionate share of debt of all local government units which provide services within the Town's boundaries, and which must be borne by properties in the Town is summarized as follows:

<u>Units</u>	<u>Net debt outstanding at December 31, 2014</u>	<u>Percentage applicable to the Town</u>	<u>Town's proportionate share of debt</u>
Cumberland County	\$ 37,310,000	4.66%	1,736,924
MSAD 75 / RSU 75	8,421,083	38.55%	3,246,748

The Town's proportionate share of the County and District debt is paid through annual assessments.

INTERFUND TRANSFERS

Individual fund transfers for the year ended December 31, 2014 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ -	764,850
Special revenue funds:		
Recreation	14,850	-
Capital projects fund:		
Road projects	600,000	-
Emergency vehicles	150,000	-
Total capital projects fund	750,000	-
Total transfers	\$764,850	764,850

These transfers were budgeted transfers to fund certain activities.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

BUDGETED USE OF SURPLUS

During the year ended December 31, 2014, the Town budgeted to utilize prior year unassigned fund balance as a budgeted use of surplus. The amount consists of the following:

2013 carry forward balance	\$594,213
Use of surplus – current year:	
Land purchase, map 8 lot 30	72,500
Paramedic coverage 24/7	34,800
Cedar/Robinhood Beach Easement	5,200
Reduction of tax commitment	392,000
Total	<u>\$1,098,713</u>

RESTRICTED GRANTS

The Town classifies grant awards as restricted grants in the Town's special revenue fund. The December 31, 2014 fund balance of restricted grants consisted of the following awards:

<u>Grant Award</u>	Balance beginning of year	<u>Revenues</u>	<u>Expenditures</u>	Balance end of year
Right of way	\$ 1,374	-	-	1,374
Harbor Management Plan	360	-	-	360
Davis Conservation Fund	550	-	-	550
Shoreland Zoning Review	236	-	-	236
Mitchell Field Community Garden	-	551	551	-
Total restricted grants	<u>\$2,520</u>	-	-	<u>2,520</u>

COMMITTED FUND BALANCES

On June 10, 2014 and November 5, 2013, Town Meetings authorized spending up to \$5,200 and \$85,000 from fund balance to fund easement monitoring and to acquire land (map 8, lot 30) abutting an existing Town landing, respectively. The transactions were completed in 2014 at costs of \$1,862 and \$72,500. The remaining \$15,838 reflected in the committed fund balance requires a Town Meeting vote to transfer the funds to unassigned.

ASSIGNED FUND BALANCES

At December 31, 2014, assigned fund balance consisted of the following:

<u>Fund</u>	<u>Assigned balance</u>
Appropriation carryovers:	
Mitchell Field signage	2,250
Mitchell Field pier repair	8,873
Mitchell Field infrastructure and demolition	10,758
Legislative assistance agent	1,800
Energy Conservation	2,502
Flood plain map revisions	2,961
Economic Development	3,910

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

ASSIGNED FUND BALANCES, CONTINUED

Land purchase, map 42, lot 6	3,318
Marine conservation activities	8,013
Marine consultant	14,002
Town lands/landings	15,024
West Harpswell School gym floor	9,400
Boat/motor replacement	33,243
Recycling	56,536
Vehicles & equipment replacement	76,098
Office equipment	12,205
Emergency communication equipment	16,521
Dry hydrants development	12,780
Land acquisition and property improvement	18,280
Town Office & facilities improvements	45,555
Generator replacement	13,500
Pött's Point pier	5,500
West Harpswell School capital	15,000
Failed septic system reserve	22,649
Marine hazards	3,522
Property tax assistance program	15,702
Conservation fund	5,000
Self-insurance reserve	2,011
Heating assistance reserve	24,724
Assessing records update	20,235
Plus contingency	<u>33,318</u>
Assigned fund balances subtotal	515,190
Assigned revenues:	
West Harpswell School lease proceeds	20,000
Heating assistance	11,822
Cable related technology	9,608
General Assistance – food	300
Mitchell Field boat ramp or bandstand	1,800
Total assigned fund balance – General Fund	<u>\$558,720</u>

NET POSITION

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bond and capital leases obligations used for this purpose and adding back any unspent proceeds. The Town's net investment in capital assets was calculated as follows at December 31, 2014:

Capital assets	\$ 16,718,730
Accumulated depreciation	(5,532,043)
Bonds payable and capital lease obligation	(3,091,668)
Unspent bond proceeds	<u>310,374</u>
Total net investment in capital assets	<u>\$ 8,405,393</u>

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

NET POSITION, CONTINUED

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

RISK MANAGEMENT

The Town is exposed to various risks of loss from torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association for Workers' Compensation coverage. Based on these coverages, no known liabilities exist at December 31, 2014.

CONTINGENT LIABILITIES

Litigation - The Town is subject to certain legal proceedings which arise in the normal course of business. In the opinion of management, the Town has defensible positions in any/all pending cases. Further, any future liabilities are covered by insurance or will not materially affect the financial position of the Town.

State and Federal Grants - The Town participates in numerous state and federal programs which are governed by various rules and regulations imposed by the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any moneys received may be required. There are no material contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Mitchell Field Pier – During 2013, a portion of the pier structure collapsed, and it is believed that certain of the remaining supports have been eroded. No decision has been made whether the pier should be replaced, demolished or partially rehabilitated. The cost of some of these alternatives has been estimated by an independent consultant to be in the \$1.7 to \$2 million range. If the Town takes no action and there is a further collapse, specific action may be required by regulatory agencies.

OPERATING LEASE

Effective July 1, 2014, the Town entered into a one-year lease extension with Harpswell Coastal Academy, Inc. (HCA) for the former West Harpswell School property. The Town received lease payments of \$4,000 a month beginning in August 2014 and agreed to apply the funds towards the potential purchase of the school. The Town previously received \$2,000 a month from August 2013 – May 2014 from the original one-year lease, of which \$13,080 was used for specific improvements to the building and the \$6,920 lapsed to the general fund. Until the property is sold, the Town continues to reserve \$9,400 for a certain potential repair.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS) - CONSOLIDATED RETIREMENT PENSION PLAN

Description of the Plan - The Town contributes to the Maine Public Employees Retirement System Consolidated Plan, a cost sharing multiple-employer retirement system established by the Maine State Legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The contribution rates of plan members and the Town of Harpswell are established and may be amended by the Maine Public Employees Retirement Board of Trustees.

The Town's contributions to the Maine Public Employees Retirement System Consolidated Plan for the years ended December 31, 2014, 2013 and 2012 were \$7,683, \$6,675 and \$6,473, respectively, equal to the required contributions.

Effective March 14, 1998, this benefit is no longer available to new Town employees. Those employees already in the plan may continue under the same terms or may terminate and join the deferred compensation plan.

DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the International City Management Association Retirement Corporation.

The deferred compensation plan is available to all full and regular part time employees of the Town who work 20 hours or more per week on a regularly scheduled basis and who are not already participating in another plan. Under the plan, employees may elect to defer a portion of their salary and avoid paying income taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The Town's computed contribution to this plan for the years ended December 31, 2014, 2013 and 2012 was \$24,839, \$23,003 and \$19,129, respectively. Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

RETIREMENT PLAN – RECYCLING CENTER EMPLOYEES

The Town offers its recycling center employees a pension plan through the I.A.M. National Pension Fund.

The Town contributes on behalf of eligible employees of the recycling center who have worked during the plan year. There are no voluntary contributions by the employees allowed in this plan. The Town's expense under the plan for the years ended December 31, 2014, 2013 and 2012 was \$11,198, \$11,696 and \$13,909, respectively.

The funds contributed by the Town to the plan are held in trust by the I.A.M. National Pension Fund for the exclusive use of benefit participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

COMMITMENTS

On September 18, 2014, the Town contracted for the purchase of an ambulance in the amount of \$217,588. The vehicle is expected to be received in 2015 and will be leased to the Harpswell Neck Fire & Rescue Department. The purchase of this vehicle is part of an ongoing effort by the Town to fund the emergency vehicle purchases for the three independent fire and rescue departments serving the Town.

Additionally, at December 31, 2014, the Town was obligated under contracts for law enforcement, marine patrol, emergency dispatch, dedicated paramedic and snow removal services in amounts totaling approximately \$1,058,000 for various periods through March 31, 2017.

GENERAL FUND

The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid through other funds.

TOWN OF HARPSWELL, MAINE
Comparative Balance Sheets
General Fund
December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 5,028,136	5,425,627
Receivables:		
Taxes	356,543	345,631
Tax liens and acquired properties	68,326	64,944
Other	59,504	55,157
Prepaid items	17,147	16,627
Total assets	\$ 5,529,656	5,907,986
LIABILITIES		
Accounts payable and other liabilities	73,713	240,989
Unearned revenue - taxes paid in advance	5,061	3,532
Unearned revenue - other	16,465	5,560
Interfund payables:		
Special Revenue	46,610	39,759
Capital Projects	1,132,738	1,184,497
Total liabilities	1,274,587	1,474,337
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	270,000	290,000
Total deferred inflows of resources	270,000	290,000
FUND BALANCE		
Nonspendable:		
Prepaid Insurance	17,147	16,627
Committed:		
Land acquisition and easement monitoring	15,838	85,000
Expanded paramedic coverage	-	34,800
Assigned	558,720	594,213
Unassigned	3,393,364	3,413,009
Total fund balance	3,985,069	4,143,649
Total liabilities, deferred inflows of resources, and fund balance	\$ 5,529,656	5,907,986

TOWN OF HARPSWELL, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis of Accounting)
For the year ended December 31, 2014

	Budgeted amounts		Actual	Variance positive (negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 10,903,298	10,903,298	10,903,298	-
Change in unavailable revenue	-	-	20,000	20,000
Interest and fees on property taxes	22,000	22,000	20,502	(1,498)
Excise taxes and registration fees	1,012,000	1,012,000	1,075,697	63,697
Total taxes	11,937,298	11,937,298	12,019,497	82,199
Intergovernmental:				
State revenue sharing	90,000	90,000	63,674	(26,326)
Local road assistance URIP	44,000	44,000	34,804	(9,196)
Homestead exemption and BETE	44,358	44,358	44,498	140
Tree growth	8,000	8,000	9,823	1,823
General assistance	6,000	6,000	5,687	(313)
Veterans exemption	3,000	3,000	3,246	246
Other	2,000	2,000	5,372	3,372
Total intergovernmental	197,358	197,358	167,104	(30,254)
Miscellaneous:				
Interest earned	3,000	3,000	6,670	3,670
Copies and records	4,000	4,000	3,895	(105)
Cable TV franchise fee	72,000	72,000	78,823	6,823
Cable technology & capital equipment	11,400	11,400	11,400	-
Licenses, fees and permits	172,100	172,100	204,095	31,995
Fines	-	-	3,100	3,100
Recycling center and disposal fees	120,000	120,000	163,631	43,631
Donations and gifts	10,000	10,000	21,622	11,622
Sale of property	1,500	1,500	2,872	1,372
West Harpswell School lease	-	-	30,000	30,000
Tower lease	20,000	20,000	20,563	563
Unclassified	2,400	2,400	2,380	(20)
Total miscellaneous	416,400	416,400	549,051	132,651
Total revenues	12,551,056	12,551,056	12,735,652	184,596

TOWN OF HARPSWELL, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis of Accounting), Continued
For the year ended December 31, 2014

Article #	Account	Balances	Budgeted amounts		Actual	Variance positive (negative)	Balances
		carried forward	Original	Final			carried forward
Expenditures:							
General government:							
10	Elected officials	\$ -	121,700	121,700	121,216	484	-
General administration:							
11	Administration	-	259,704	259,704	248,421	11,283	-
11	Public information	-	9,000	9,000	8,115	885	-
11	Risk management	-	56,722	56,722	52,380	4,342	-
11	Legal services	-	40,000	40,000	43,152	(3,152)	-
12	Memberships	-	16,037	16,037	16,037	-	-
13	Assessing	-	74,723	74,723	68,515	6,208	-
14	Tax collector's office	-	29,550	29,550	27,956	1,594	-
15	Town clerk's office	-	55,456	55,456	43,503	11,953	-
16	Treasurer	-	23,250	23,250	22,368	882	-
17	Code enforcement	-	116,283	116,283	112,535	3,748	-
18	Planning	-	74,956	74,956	72,302	2,654	-
CF	Consultant re: Conservation Subd	1,000	-	1,000	1,000	-	-
25	Employee benefits	-	324,319	324,319	317,916	6,403	-
26	Boards and committees	-	4,685	4,685	3,551	1,134	-
Operations and maintenance:							
27	Municipal buildings and property	-	69,950	69,950	70,283	(333)	-
27	Old town house and commons	2,000	6,000	8,000	5,141	2,859	-
27	Town dock	-	4,850	4,850	2,914	1,936	-
27	Town lands and landings	-	24,500	24,500	9,476	15,024	15,024
STM	Cedar/Robinhood Beach easement	-	5,200	5,200	1,862	3,338	-
28	Cemeteries	-	7,000	7,000	6,285	715	-
Total general government		3,000	1,323,885	1,326,885	1,254,928	71,957	15,024
Public works:							
32	Snow removal	-	410,466	410,466	399,726	10,740	-
32	Maintenance	-	60,000	60,000	63,886	(3,886)	-
32	Road, street signs	-	2,500	2,500	2,286	214	-
19	Recycling and transfer station	-	327,368	327,368	329,495	(2,127)	-
Total public works		-	800,334	800,334	795,393	4,941	-
Protection and safety:							
36, 37	Emergency services	-	196,090	196,090	190,348	5,742	-
34	Emergency medical services planning	-	3,500	3,500	3,500	-	-
27	Emergency services building	-	8,000	8,000	5,282	2,718	-
STM,35	Contracted paramedic services	-	273,720	273,720	273,720	-	-
39	Street lighting	-	23,000	23,000	23,727	(727)	-
21	Harbor management	-	42,249	42,249	39,745	2,504	-
20	Animal control	-	25,707	25,707	22,605	3,102	-
40,41	Law enforcement and communication	-	354,040	354,040	353,968	72	-
43	Marine consultant & conservation mng	-	44,000	44,000	21,985	22,015	22,015
42, 44	Shellfish conservation contract & boat	-	191,226	191,226	162,377	28,849	-
Total protection and safety		-	1,161,532	1,161,532	1,097,257	64,275	22,015
Health and welfare:							
	Health and welfare restricted gift	300	-	300	-	300	300
45	Health and welfare	-	34,880	34,880	25,409	9,471	-
Total health and welfare		300	34,880	35,180	25,409	9,771	300
Cultural and recreation:							
46-48	Cultural and education programs	-	40,111	40,111	40,641	(530)	-
3	Curtis Memorial Library	-	128,204	128,204	128,204	-	-
49	Harpswell Community Broadcasting	-	63,750	63,750	63,750	-	-
22	Recreation - general	-	28,336	28,336	24,336	4,000	-
Total cultural and recreation		-	260,401	260,401	256,931	3,470	-

1 Contingency transfers (\$3,384) approved by selectmen to cover Memorial day, street lights and Recycling/Transfer Station

2 Balances carried forward include 2014 revenues received for these purposes

TOWN OF HARPSWELL, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis of Accounting), Continued
For the year ended December 31, 2014

Article #	Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward
			Original	Final			
Expenditures, continued:							
CF, 53	A. Dennis Moore Recycling / Transfer St.	\$ 45,986	30,000	75,986	19,450	56,536	56,536
Other capital / carryovers / reserves:							
CF, 53	Dry hydrant development	2,780	10,000	12,780	-	12,780	12,780
CF, 54	Land acquisition & Town property improvement	8,280	10,000	18,280	-	18,280	18,280
CF, 53	Vehicle replacement & vehicle equipment	46,478	65,000	111,478	35,380	76,098	76,098
CF	Update of assessing records	20,235	-	20,235	-	20,235	20,235
STM	Land purchase, Map 8, Lot 30	-	85,000	85,000	72,500	12,500	-
CF, 53	Emergency communication equipment	11,521	5,000	16,521	-	16,521	16,521
CF	Land acquisition map 42, lot 6	3,318	-	3,318	-	3,318	3,318
CF, 53	Boat and motor replacement	23,243	10,000	33,243	-	33,243	33,243
CF	Voting machines	12,300	-	12,300	-	12,300	-
CF	Generator replacement	41,000	-	41,000	12,500	28,500	13,500
CF	T/O & Facilities Improvements	45,555	-	45,555	-	45,555	45,555
CF	Emergency Services building	137,244	-	137,244	137,144	100	-
CF, 53	Office equipment	12,705	5,000	17,705	5,500	12,205	12,205
56	Conservation fund	-	5,000	5,000	-	5,000	5,000
CF, 61	Cable related technology account	10,197	5,400	15,597	5,989	9,608	9,608
CF, 54	Public, educational & governmental equipment	-	6,000	6,000	6,000	-	-
CF	Legislative agent	1,800	-	1,800	-	1,800	1,800
CF	Economic development	5,510	-	5,510	1,600	3,910	3,910
CF, 57	Self insurance reserve	743	2,500	3,243	1,232	2,011	2,011
CF, 52	Heating assistance	31,356	10,000	41,356	16,632	24,724	36,546
CF	Marine hazards	3,522	-	3,522	-	3,522	3,522
CF	Failed septic systems	22,649	-	22,649	-	22,649	22,649
23	Wage and salary study	-	12,000	12,000	10,500	1,500	-
29	Harpswell Community School playground	-	15,000	15,000	15,000	-	-
51	PEG Equipment warranty	-	6,400	6,400	6,400	-	-
38	FEMA Consultant	-	5,000	5,000	2,039	2,961	2,961
CF	Energy Conservation	2,502	-	2,502	-	2,502	2,502
CF	Property tax assistance program	15,702	-	15,702	-	15,702	15,702
CF, 58	Hildreth Road property appraisal	3,034	-	3,034	2,500	534	-
55	Pott's Point Town dock system	-	5,500	5,500	-	5,500	5,500
31	Mitchell Field - building demolition	-	25,000	25,000	14,242	10,758	10,758
CF	Mitchell Field - other	1,478	-	1,478	1,478	-	-
31	Mitchell Field - operations	-	16,100	16,100	11,941	4,159	2,250
CF	Mitchell Field - ramp or bandstand donation	1,800	-	1,800	-	1,800	1,800
CF	Mitchell Field - pier	8,873	-	8,873	-	8,873	8,873
	West Harpswell School lease proceeds	10,000	-	10,000	13,080	(3,080)	20,000
CF	West Harpswell School - carry forward	9,400	-	9,400	-	9,400	9,400
CF	West Harpswell School - capital	15,000	-	15,000	-	15,000	15,000
30	West Harpswell School - operations	-	10,000	10,000	3,278	6,722	-
Total capital and special projects		554,211	343,900	898,111	394,385	503,726	488,063
60	Debt service	-	505,000	505,000	490,257	14,743	-
CF	Contingency	36,702	-	36,702	- 1	36,702	33,318
Total budgeted expenditures		594,213	4,429,932	5,024,145	4,314,560	709,585	558,720
Other expenditures:							
	Educational appropriation	-	7,230,969	7,230,969	7,230,969	-	-
	County tax	-	1,183,087	1,183,087	1,183,087	-	-
	Overlay / abatements	-	59,218	59,218	766	58,452	-
Total other expenditures		-	8,473,274	8,473,274	8,414,822	58,452	-
Excess (deficiency) of revenues over (under) expenditures		(594,213)	(352,150)	(946,363)	6,270	952,633	(558,720)
Other financing sources (uses):							
33	Proceeds from long-term debt	-	600,000	600,000	600,000	-	-
	Transfer to Capital Projects - road projects	-	(600,000)	(600,000)	(600,000)	-	-
59	Transfer to Capital Projects - emergency vehicle	-	(150,000)	(150,000)	(150,000)	-	-
	Use of committed Fund balance - paramedic/land purchase	-	119,800	119,800	-	(119,800)	-
28	Transfer to Recreation fund - programs	-	(14,850)	(14,850)	(14,850)	-	-
70	Use of unassigned fund balance - budget	-	392,000	392,000	-	(392,000)	-
STM	Use of unassigned fund balance - Cedar/Robinhood Beach	-	5,200	5,200	-	(5,200)	-
	Use of carryforward balances	594,213	-	594,213	-	(594,213)	-
Total other financing sources (uses)		594,213	352,150	946,363	(164,850)	(1,111,213)	-
Net change in fund balance		-	-	-	(158,580)	(158,580)	(558,720)
Fund balance, beginning of year					4,143,649		
Fund balance, end of year					\$ 3,985,069		

2 Balances carried forward include 2014 revenues received for these purposes

3 Revenue received directly applied to capital lease payment

4 Additional lease proceeds received in the first half of 2014 were used to offset the cost of improvements

OTHER NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds account for specific resources, the expenditure of which are restricted by law or administrative action for particular purposes.

Special revenue funds are established for the following purposes:

Restricted Grants

The purpose of this fund is to segregate state, federal and private awards whose purpose is restricted by the agency providing the funds.

Recreation

To account for various recreation fees and related expenditures.

NONMAJOR CAPITAL PROJECT FUNDS

Capital projects funds are established to account for resources obtained and expended for the acquisition of major capital facilities and projects.

The Town's individual capital project funds were established for the following purposes:

Emergency Vehicles

To accumulate funds in a dedicated interest bearing account to ultimately purchase emergency vehicles.

TOWN OF HARPSWELL, MAINE
Other Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2014

	Special Revenues		Capital Projects	
	Restricted Grants	Recreation	Emergency Vehicles	Totals
ASSETS				
Interfund receivables	\$ 2,520	44,090	638,805	685,415
Total assets	\$ 2,520	44,090	638,805	685,415
Fund balances:				
Restricted:				
Capital projects and grants	2,520	-	638,805	641,325
Assigned:				
Recreation	-	44,090	-	44,090
Total fund balances	\$ 2,520	44,090	638,805	685,415

TOWN OF HARPSWELL, MAINE
Other Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2014

	<u>Special Revenues</u>		<u>Capital Projects</u>	
	<u>Restricted Grants</u>	<u>Recreation</u>	<u>Emergency Vehicles</u>	<u>Totals</u>
Revenues:				
Grants	\$ 551	-	-	551
Interest earned	-	-	783	783
Bandstand donations	-	10,580	-	10,580
Charges for services	-	49,810	-	49,810
Total revenues	551	60,390	783	61,724
Expenditures:				
For specified purpose	551	57,351	-	57,902
Bandstand	-	11,038	-	11,038
Capital outlay	-	-	-	-
Total expenditures	551	68,389	-	68,940
Excess (deficiency) of revenues over (under) expenditures	-	(7,999)	783	(7,216)
Other financing sources:				
Transfers from general fund	-	14,850	150,000	164,850
Total other financing sources	-	14,850	150,000	164,850
Net change in fund balances	-	6,851	150,783	157,634
Fund balances, beginning of year	2,520	37,239	488,022	527,781
Fund balances, end of year	\$ 2,520	44,090	638,805	685,415

SCHEDULE

TOWN OF HARPSWELL, MAINE
Schedule of Taxes and Liens Receivable
For the year ended December 31, 2014

Year	Balance at 12/31/13	2014 Commitment	Supplemental Taxes	Collections	Abatements	Balance at 12/31/14	
pre 2002	\$ 630	-	-	-	-	630	*
2005	976	-	-	-	-	976	*
2006	1,453	-	-	-	(15)	1,438	*
2007	1,482	-	-	-	(80)	1,402	*
2008	530	-	-	-	-	530	*
2009	613	-	-	-	-	613	*
2010	611	-	-	-	-	611	*
2011	2,673	-	-	(2,475)	-	198	
2012	55,976	-	-	(54,758)	-	1,218	*
2013	345,631	-	-	(284,921)	-	60,710	
2014	-	10,903,298	-	(10,546,085)	(670)	356,543	
	410,575	10,903,298	-	(10,888,239)	(765)	424,869	
						Taxes receivable	356,543
						Tax liens and acquired properties	68,326
						Total	\$ 424,869

* includes tax acquired property